

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA IMMEDIATE

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E.O. 11652: N/A

TAGS: EAIR, ID

SUBJECT: CIVAIR: US-INDONESIAN NEGOTIATIONS

REF: JAKARTA 14664

1. IN RESPONSE TO SALIM'S REPLY (REFTEL) DEPT REQUESTS
FOLLOWING LETTER BE SENT, CONTAINING USG POSITION:

QUOTE: I REFER TO OUR CONTINUING DISCUSSION OF US-
INDONESIAN CIVIL AVIATION MATTERS AND TO YOUR LETTER OF
NOVEMBER 3 IN RESPONSE TO MY LETTER OF SEPTEMBER 10.

QUOTE: IN MAKING ITS PROPOSAL OF SEPTEMBER 10, THE US
GOVERNMENT PRESUPPOSED THE BASIC NEED OF GARUDA AND PAN
AM IS TO HAVE VIABLE OPERATIONS. NOTHING HAS HAPPENED
SINCE TO CHANGE THIS PREMISE. THE US PROPOSAL WAS BASED,
THEREFORE, ON THE CONCEPT OF A PRAGMATIC BALANCE OF
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MUTUAL BENEFITS. THE US GOVERNMENT HAS MET ALL OF THE

INDONESIAN GOVERNMENT'S REQUESTS FOR THE CONDITIONS WHICH WOULD MAKE GARUDA'S OPERATION OF SERVICE TO THE UNITED STATES VIABLE. IN RETURN, THE US GOVERNMENT ASKED FOR THE MINIMUM CONDITIONS NECESSARY FOR A VIABLE OPERATION TO INDONESIA BY PAN AMERICAN.

QUOTE: THE US GOVERNMENT IS UNABLE TO ACCEPT THE INDONESIAN GOVERNMENT'S COUNTERPROPOSAL WHICH IN OUR VIEW DEPARTS FROM THIS CONCEPT OF A PRAGMATIC BALANCE OF MUTUAL BENEFITS. FIFTH FREEDOM RIGHTS ARE STILL WITHHELD FROM THE US CARRIER, AS WELL AS THE FLEXIBILITY NECESSARY TO RESPOND TO CHANGED CIRCUMSTANCES. MOREOVER, THE US GOVERNMENT NOTES WITH CONCERN THAT THE INDONESIAN GOVERNMENT HAS IGNORED THE TERMS OF THE BILATERAL AIR TRANSPORT SERVICES AGREEMENT BY REFUSING TO ALLOW PAN AMERICAN EVEN TEMPORARY SERVICE THROUGH GUAM.

QUOTE: INDONESIA'S DENIAL TO PAN AM OF CONDITIONS FOR A VIABLE OPERATIONAL ROUTE LEAVES THE US AIRLINE WITHOUT AUTHORITY TO CONTINUE SERVICE TO INDONESIA AFTER JANUARY 31, 1977. EVEN IF THE INDONESIAN GOVERNMENT PROMPTLY APPROVES THE PROPOSAL MADE IN MY SEPTEMBER 10 LETTER, PAN AMERICAN WOULD BE UNABLE TO IMPLEMENT THIS SERVICE BY FEBRUARY. THE PROTRACTED EFFORTS OF OUR TWO GOVERNMENTS TO RESOLVE THE PROBLEMS OCCASIONED BY THE INDONESIAN GOVERNMENT'S ATTEMPT TO ALTER FUNDAMENTALLY THE AIR TRANSPORT SERVICES AGREEMENT HAVE FORCED PAN AMERICAN TO DIRECT ITS LIMITED RESOURCES ELSEWHERE. AT THIS TIME IT IS IMPOSSIBLE TO DETERMINE JUST HOW LONG IT WOULD TAKE PAN AMERICAN TO IMPLEMENT SERVICE IF OUR TWO GOVERNMENTS WERE TO AGREE MUTUALLY TO THE PRESENT US PROPOSAL.

QUOTE: THE US GOVERNMENT ALSO WISHES TO STATE THAT IT CONSIDERS THE ADDITION OF ALL-CARGO SERVICES AND A SECOND DESIGNATED SCHEDULED AIRLINE TO BE MATTERS WHICH ARE STILL PERTINENT AND PENDING AND SHOULD BE OPEN TO CONSULTATION.

QUOTE: THE US GOVERNMENT BELIEVES IT HAS MADE A SIGNI-
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FICANT EFFORT TO MEET THE INDONESIAN GOVERNMENT'S CONCERNS ABOUT THE PREVIOUS STATUS OF COMMERCIAL AIR SERVICES BETWEEN OUR TWO COUNTRIES. IT DESIRES THE CONTINUATION OF A TRULY VIABLE COMMERCIAL AVIATION RELATIONSHIP. IT IS HOPED THAT THE INDONESIAN AUTHORITIES WILL REVIEW THE US GOVERNMENT'S SEPTEMBER 10 PROPOSAL ON A MORE PRAGMATIC AND UNDERSTANDING BASIS.
END QUOTE.

2. FYI: BECAUSE OF GOI'S CONTINUED INTRANSIGENCE REGARDING ROUTES AND RELATED TRAFFIC RIGHTS AND THE NEGATIVE OUTCOME TO RECENT US-PHILIPPINE TALKS CONCERNING PHILIPPINES' OPEN SKIES POLICY, PAN AM'S INTEREST IN INDONESIAN MARKET HAS BEEN GREATLY REDUCED. IT SEES THE LIMITED RIGHTS THAT WOULD PROBABLY RESULT FROM ANY

EVENTUAL AGREEMENT WITH GOI AS OF LITTLE COMMERCIAL VALUE AND BELIEVES INDONESIA COULD BE SATISFACTORILY SERVED THROUGH OTHER POINTS SUCH AS SINGAPORE. THEREFORE, UNLESS GOI WILLING ACCEPT US SEPTEMBER 10 PROPOSAL, PAN AM SEES NO REASON TO CONTINUE OPERATION TO INDONESIA. OBVIOUSLY, WITHDRAWAL BY US AIRLINE FROM INDONESIA WOULD HAVE SERIOUS NEGATIVE IMPACT UPON CAB FINAL DECISION. EMBASSY'S REACTION TO PAN AM'S SUSPENSION OF SERVICE AND ITS EFFECT ON INDONESIA'S TOURIST INDUSTRY, AMERICAN BUSINESS OPERATIONS, ETC., WOULD BE APPRECIATED.

3. DESIGNATION OF A SECOND US AIRLINE AND COMMENCEMENT OF ALL-CARGO SERVICE SHOULD REMAIN ISSUES, AT LEAST UNTIL PAN AM SITUATION RESOLVED AND ACTION TAKEN ON GARUDA'S CAB APPLICATION. END FYI.

KISSINGER

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